

**STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY**

**OVERVIEW OF THE DRINKING WATER REVOLVING FUND
PRIORITY SYSTEM, PROJECT PRIORITY LIST,
and
INTENDED USE PLAN**

I. PRIORITY SYSTEM

Michigan's Priority System, which ranks waterworks projects proposed for construction and expected to receive funding assistance through the Drinking Water Revolving Fund (DWRF), is an integral part of the State's overall strategy to achieve its goal of providing safe drinking water. The Priority System was developed and is managed in accordance with Federal Safe Drinking Water Act requirements and is consistent with the United States Environmental Protection Agency (EPA) guidance.

A. Project Priority List (PPL)

Policies and procedures to establish a ranked list of projects on the State's PPL are incorporated into the system in compliance with Michigan 1994 PA 451, Part 54, Natural Resources and Environmental Protection Act.

B. Bypass Procedures

The Priority System also addresses bypass procedures in accordance with Section 5412 of 1994 PA 451. Each fundable project must submit a complete, approvable application in accordance with its established milestone schedule or the project will be subject to bypass.

II. PROJECT PRIORITY LIST

Michigan's annual PPL is compiled in accordance with 1994 PA 451, Part 54 establishing the Priority System. The PPL contains those projects expected to receive financial assistance from the DWRF, ranked in priority order using criteria contained in the law. The PPL is the State's mechanism for obligating available DWRF funds to fundable projects in a timely and consistent manner.

A. To Qualify for PPL Ranking

The applicant must have had a final Project Plan filed with the DEQ by May 1 of the fiscal year prior to the PPL year in which the project is to be ranked. The plan must include the official resolution to adopt and implement the selected project(s), which must meet the enforceable requirements of the Safe Drinking Water Act.

B. PPL Ranking Criteria - Waterworks Projects

Priority points are assigned on the basis of information contained in the final Project Plan using the following criteria:

1. Drinking Water Quality - Points are assigned for projects that will eliminate acute violations of drinking water standards, maintain compliance with such standards, or eliminate an exceedance of secondary maximum contaminant levels for aesthetic water quality.
2. Drinking Water Infrastructure Improvements - Points are assigned for upgrades to source or treatment facilities, transmission or distribution water mains, water storage facilities, or pumping stations.
3. Population Points - Points are assigned based on the existing population served by the water system.
4. Disadvantaged Community - Points are assigned to any municipal water supplier qualifying as a disadvantaged community.
5. Consolidation - Points are assigned for projects that accomplish consolidation of smaller, separate systems.
6. Wellhead or Source Water Protection Plans - Points are assigned for communities that have completed wellhead protection or source water protection programs.

Note: If a project is primarily designed to replace individual wells at private homes, 50 percent or more of the homes in the affected area must meet equivalent water quality or infrastructure deficiency criteria in order to receive the maximum available points. If less than 50 percent of the homes meet such established criteria, one-half of the total available points shall be awarded.

C. Public Comment Period

1. A copy of the State's Draft PPL, Draft Intended Use Plan (IUP) (see Section III of this document), and Notice of Public Hearing is attached. The hearing process affords applicants a public comment period to request changes or corrections to the PPL and IUP before they are finalized. This action meets both State and Federal public participation requirements.
2. Written requests for change or correction to a project priority point assignment shall be placed into the hearing record.
3. Staff of the DEQ will respond to all hearing testimony pertaining to the PPL and the IUP.

D. Effective Dates

The PPL will become effective on October 1. It will be in effect through the following September 30.

E. PPL Management Procedures

1. A Project Plan must have been submitted to the DEQ by the May 1 cutoff date for project plan submittal in order to be ranked on the upcoming fiscal year PPL.
2. A project requiring an Environmental Impact Statement (EIS) shall remain eligible for PPL ranking on the basis of the project plan on file with this office. However, such a project shall not be named into the fundable range of the PPL until the EIS is completed and a project plan amendment, if necessary, is submitted.
3. Water suppliers have the public hearing comment period to take exception to the DEQ decisions relating to the Draft PPL. Applicants should keep in mind that a decision to prioritize separate projects in one community does not necessarily mean that the projects must proceed separately. If both projects are determined to be in the fundable range for the fiscal year, they can be administratively combined to provide loan assistance with one loan.
4. The DEQ and the applicant will negotiate project milestone schedules for all fundable projects. The projects will be managed to meet those deadlines.
5. The DEQ will establish the fiscal year fundable range and notify all applicants and their consultants.

III. INTENDED USE PLAN (IUP)

A. Contents

1. All waterworks projects listed in the IUP must be on the State's PPL when the IUP is submitted to the EPA.
2. These projects must also appear on the PPL when State binding commitments are made to provide DWRF financial assistance.

B. Use of DWRF Moneys

The DWRF can be used to make loans to provide financial assistance for the construction of new waterworks facilities or to refinance an outstanding debt obligation where debt was incurred and construction commenced after June 17, 1997.

C. State Allotment

See the IUP for detail.

D. Set-Asides

Present estimates for the initial set-aside distribution of Michigan's Safe Drinking Water Act allotment include:

1. **Four percent (4%)** of the State's DWRF capitalization grants to be set aside for administering the DWRF program.
2. **Two percent (2%)** of the State's DWRF capitalization grants to be set aside for technical assistance.
3. A portion of the State's DWRF capitalization grant will be set aside for program activities including capacity development, source water protection, and operator certification. See the IUP for detail.
4. A portion of the State's capitalization grant will be set aside for a wellhead protection program. See the IUP for detail.

E. Funding Assistance

1. Funding assistance available from the fund each fiscal year is determined by an evaluation of the borrowing capabilities the fund resources can support. This leveraging concept allows for higher funding capabilities in the near term than would have been available in a direct loan program.